

ST 00-0257-GIL 11/21/2000 MANUFACTURING MACHINERY AND EQUIPMENT

The Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

November 21, 2000

Dear Xxxxx:

This letter is in response to your letter dated July 12, 2000 that we received on August 4, 2000. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at the Department's Website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

Please send a copy of the ruling on taxable items. I need an in depth idea of what I am exempt from paying sales tax on. I need to know if I pay sales tax on tooling for a machine that makes our end product. I just wanted to verify if we are to pay sales tax or if this is an exempt item.

Enclosed is a copy of 86 Ill. Adm. Code 130.330 concerning the Manufacturing Machinery and Equipment Exemption. In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

The manufacturing process is the production of articles of tangible personal property or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant, Section 130.330(b)(2).

Please note the exemption does not apply to hand tools, coolants, lubricants, solvents, apparel, adhesives and similar supplies, Section 130.330(c)(3). However, pneumatic hand tools or electric powered hand tools used primarily in manufacturing or assembling may qualify for the exemption.

The exemption is available for replacement parts purchased for exempt machinery or equipment, Section 130.330(b)(2). Items of tangible personal property that are installed or used on machinery or equipment that qualify for the manufacturing machinery or equipment exemption, will also qualify for the exemption, so long as purchasers give their suppliers the certification described at 86 Ill. Adm. Code 130.330(g).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.